

Comptroller's Directive No. 2-04
Attachment 30
GASBS No. 40, Deposit and Investment Risk Disclosures, Summary

Purpose	<p>This attachment requests detailed information related to credit risk, interest rate risk, and foreign currency risk of deposits and investments that is required by <u>GASBS No. 40, Deposits and Investment Risk Disclosures</u>. <u>GASBS No. 40</u> is effective for the June 30, 2005 CAFR, and this attachment will assist in DOA's implementation planning.</p>
Applicable agencies	<p>All agencies and funds that have cash, cash equivalents, and investments <u>NOT</u> with the Treasurer of Virginia must complete this attachment.</p> <ul style="list-style-type: none">▪ If applicable, the Department of Corrections must aggregate central office and all facilities using 701.▪ If applicable, the Department of Mental Health, Mental Retardation, and Substance Abuse Services must aggregate central office and all facilities using 720.▪ If applicable, the Supreme Court of Virginia must aggregate agencies 103, 111, 112, 113, 114, 115, 116, 125, and 160 using 111.
Due date	<p>December 9, 2004</p>
Submission requirements	<p>Contact DOA if the agency has any problems with the spreadsheets.</p> <p><u>After downloading the files, rename the spreadsheet file using the agency number followed by Att30.</u> For example, agency 151 should rename its Attachment 30.xls file as 151Att30.xls.</p> <p>Submit the excel spreadsheet electronically to finrept@doa.virginia.gov.</p> <p>Copy APA via E-mail to APAFinRept@apa.state.va.us.</p> <p>Do <u>not</u> submit paper copies of these spreadsheets.</p>
As defined	<p>For APA approved definitions of cash, cash equivalents, investments, and securities, see Attachment 14 <i>Schedule of Cash, Cash Equivalents, and Investments</i>.</p>

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**Notable
changes to
credit risk
disclosures**

Deposits:

Cash deposits that are covered by federal depository insurance and/or secured in accordance with the provisions of the Virginia Security for Public Deposits Act, Section 2.2-4400 of the Code of Virginia are NOT exposed to custodial credit risk. All other deposits are exposed to custodial credit risk on the basis of either a, b, or c below:

- a) Uncollateralized
- b) Collateralized with securities held by the pledging financial institution
- c) Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

Each entity that has deposits exposed to credit risk must disclose the bank balances, the fact that the balances are uninsured, and whether the balances are exposed on the basis of either a, b, or c above.

Cash equivalents and investments-Credit Risk:

The credit quality ratings of investments in debt securities as described by nationally recognized statistical rating organizations (rating agencies) must be disclosed. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. The credit quality ratings of external investment pools, money market funds, bond mutual funds, and other pooled investments of fixed-income securities should be disclosed. If a credit quality disclosure is required and the investment is unrated, the disclosure should indicate that fact.

Cash equivalents and investments-Concentration of Credit Risk:

The requirement to disclose cash equivalents and investments as categories 1 and 2 is no longer necessary. Category 1 and 2 amounts must be aggregated and reported in one column on this attachment by issuer. Category 3 amounts must still be disclosed separately and the issuer of each investment must be listed. This information by issuer is necessary because the GASB is requiring the disclosure of any one issuer that represents five percent or more of total investments. Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are exempt from concentration of credit risk disclosures.

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Notable changes to credit risk disclosures, continued

Cash equivalents and investments-Custodial Credit Risk:

Additional information for investments reported in category 3 must be disclosed. Investment securities reported in category 3 are exposed to credit risk because they are uninsured, are not registered in the name of the government, and are held by either:

- a) The counterparty or
- b) The counterparty's trust department or agent.

Each entity that has investments exposed to custodial credit risk must disclose the investments' type, the reported amount, and how the investments are held. Investments in external investment pools and in open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

**Notable
changes to
interest rate
risk disclosures**

The interest rate risk of debt investments must be disclosed by investment type and amount. An entity can select one of the five disclosure methods discussed in paragraph 15 of GASBS No. 40. There are various ways to manage and identify interest rate risk. DOA **strongly recommends** that each entity read GASBS No. 40 to determine the most appropriate disclosure method. However, DOA is leaning towards *segmented time distribution* or *specific identification*. The information obtained from this attachment will assist DOA in determining the most appropriate disclosure method for the fiscal year 2005 CAFR.

**Notable
changes to
foreign
currency risk
disclosures**

The U.S. dollar balances of deposits or investments that are exposed to foreign currency risk must be disclosed by currency denomination and, if applicable, investment type.

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Instructions for
 "Detail Sheet"
 tab

Follow the steps outlined below.

Step	Action
	Note: All monies reported for cash, cash equivalents, and investments should include any amounts reported on Attachment 14 AND any applicable templates.
-	Record the Contact Information.
1a	Report the amount of cash not with the Treasurer of Virginia.
1b	Report the bank balance as of June 30, 2004 for the reported amount in 1a above.
2	<p>Are deposits/cash covered by federal depository insurance and/or collateralized in accordance with the Virginia Securities for Public Deposits Act, Section 2.2-4400 of the Code of Virginia.</p> <p>If Yes: Describe the method of collateralization</p> <p>If No: Report how the deposits are held by choosing a, b, or c below:</p> <ul style="list-style-type: none"> a) Uncollateralized; b) Collateralized with securities held by the pledging financial institution c) Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name <p>Also report the amount and bank balance as of June 30 for each type of deposit.</p>
3	<p>Report the amount of cash equivalents not with the Treasurer of Virginia.</p> <p>Note: If the agency has this, it will also need to complete the "Cash Equivalents" tab.</p>
4	<p>Report the amount of investments not with the Treasurer of Virginia.</p> <p>Note: If the agency has this, it will also need to complete the "Investments" tab.</p>
5	For cash equivalents and investments not with the Treasurer of Virginia, provide DOA with a copy of the agency's investment policy. DOA prefers an electronic copy, if possible.

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**Instructions
for "Cash
Equivalents"
&
"Investments"
tab**

Category 3 cash equivalents and investments amounts should be reported in the Category 3 column. Category 3 cash equivalents and investments are "uninsured and unregistered, with securities held by the broker / dealer or by the agency's trust department or safekeeping agent but not in the agency's name". All other cash equivalents and investments should be aggregated and reported in the "All Other" column.

Step	Action
1	<p>List all of the issuers by amount for each cash equivalent and investment type, except the cash equivalent and investment types identified in the note below.</p> <p>Note: According to <u>GASBS No. 40</u>, paragraph 11, investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are exempt from concentration of credit risk disclosures. Therefore, the agency does not need to list the issuer for each of these cash equivalents or investments. The agency only needs to list the amounts for these types of cash equivalents and investments.</p>
2	<p>List the credit rating agency and credit quality rating for each cash equivalent and investment type, except the cash equivalent and investment type identified in the note below. If a credit quality disclosure is required and the cash equivalent or investment is unrated, write the word unrated in the "Credit Quality Rating" column.</p> <p>Note: Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.</p>
3	<p>Select how the cash equivalents or investments are held for category 3 cash equivalents and investments. Select one of the two items in the drop down box of the "If Category 3 Investment, is it held by either the (pick one)" column.</p>
4	<p>Complete the "Foreign Currency Risk Disclosures" column for each issuer if applicable. List the currency denomination, maturity date, and the fair value in U.S. dollars as of the balance sheet date.</p>
5	<p>List the amount and investment maturity in the "Investment Maturities" column for each type of investment by issuer. This is not required for Cash Equivalents because their maturity date must be 90 days or less.</p>

If the agency has more issuers for a particular cash equivalent or investment type, then rows may be added. Right click on the row number, and click "insert."

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